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Control: 375
Rec'd: September 1, 1954
3:35 p.m.

FROM: Guatemala City

TO: Secretary of State

NO: 234, August 31, 9 p.m.

PRIORITY

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
SEP 2 - 1954

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All three members of Guatemala Junta of Government met at my house this afternoon for informal discussion of political situation and informed me that on Monzon's suggestion it had been decided to dissolve Junta and leave Col. Castillo Armas as sole president. Announcement is to be made within 24 hours but meanwhile they asked matter to be considered strictly confidential.

Monzon initiated discussion by referring to country's desperate economic situation with thousands unemployed and to need not only for financial aid from US but also investment in country of private Guatemalan funds. Such investment has not taken place he said because politicians and other interested groups had continually placed obstacles in way of constructive achievement by spreading rumors that government was divided and by trying to create suspicion between members of Junta. It was not true that Junta was divided, he went on; they were in agreement on policy and had collaborated loyally with each other. Nevertheless confidence had not returned and he had concluded that only by placing full powers in hands of one man in accordance with Guatemalan tradition could stability be assured. Hence, two days ago he had voluntarily suggested he and Oliva resign; Oliva had subsequently agreed, and legal advisers were currently drawing up decree. From time to time during Monzon's talk Castillo nodded agreement particularly when Monzon stressed that Castillo had not suggested his resignation and that it was his own idea.

In concluding his remarks Monzon said he was sure this change would be well received throughout country since Col. Castillo enjoyed great popularity as proved by his warm and spontaneous reception his unannounced visits to various parts of Guatemala. He himself would continue to collaborate with Castillo in every way, placing himself unconditionally at service of government.

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I told Col. Monzon I appreciated his and Oliva's unselfishness and patrictism and that I personally hoped government would see fit to utilize their services.

There followed discussion of Monzon's proposed trip to Washington. This will be subject of another cable.

While dissolution of Junta removes most conscious complaint Guatemalans have made against their government, it still remains to be seen whether Castillo can effectively wield the power entrusted to him. Primary problem will be attitude of army which can be expected to resent what it is almost sure to consider Monzon's removal by Castillo and Castillo will have to use more firmness and tact than he has heretofore if he is to control situation successfully.

PEURIFOY

AB:MRS/11

NOTE: Message read by Mr. Newbegin (ARA:MID) 9/1/54 5 p.m. EH